

Rise in oil prices

4257. SHRIMATI KANIMOZHI:

SHRI GIREESH KUMAR SANGHI:

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

- (a) whether it is a fact that after presentation of the Budget, the oil prices have risen to a greater extent;
- (b) if so, what are the main reasons for the same;
- (c) what is the total rise; and
- (d) what are the steps being taken by Government to check the rise in oil prices in the country?

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI DINSHA J. PATEL): (a) to (c) The international oil prices have been on consistent up-trend since 2003-04 onwards. Indian basket of crude oil, which averaged about \$ 23/ bbl at the time of dismantling of Administered Pricing Mechanism (APM) in March, 2002 and \$ 36/bbl in May 2004, averaged about \$79.25/bbl during 2007-08. Indian basket of crude oil touched an all time high of \$ 112.50/bbl on 28.04.2008. The average price of Indian basket of crude oil for the current year i.e. 2008-09 (upto 28th April, 2008) is \$ 105.42/bbl.

The main reasons for current high international oil prices are reported as follows:—

- (a) Growth in world oil demand
 - (b) Decline in spare production capacities
 - (c) Worldwide refining bottlenecks
 - (d) Geo-political tensions
 - (e) Decline in Value of dollar
 - (f) Speculation in the international oil market
- (d) While passing on the entire impact of the steep increase in the international oil prices to the consumers would have resulted in a steep increase in the domestic retail prices, the Government is following the principle of 'Equitable Burden Sharing' under which the burden is shared by all the stakeholders, namely:

Government	Issue of Oil Bonds;
Oil companies	Upstream/Refinery Discounts;
Consumers	Minimal Price Increase.

Despite the steep increase in the international oil prices, the prices of domestic LPG and PDS Kerosene have not been increased since November, 2004 and March, 2002 respectively. The Government has however made a marginal increase in petrol and diesel prices by Rs. 2/litre and Re. 1/litre respectively with effect from 15.2.2008.

Allotment of RO Dealership

4258. SHRI HARISH RAWAT: Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

- (a) whether Government is aware that Indian Oil Corporation and other Oil PSUs have issued their policy for not allowing any reconstitution of Retail Outlet (RO) dealership after December, 2007;

- (b) if so, whether it is in line with Government's policy on this subject;
- (c) if so, whether the same is permitted; and
- (d) if not the action taken/proposed to be taken for the strict compliance of Government's policy issued on the subject?

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI DINSHA J. PATEL): (a) to (d) The Ministry of Petroleum & Natural Gas has issued broad guidelines dated 17.11.2005 on reconstitution of dealerships/distributorships by which the Public Sector Oil Marketing Companies (OMCs), viz., Indian Oil Corporation Limited (IOC), Hindustan Petroleum Corporation Limited (HPC) and Bharat Petroleum Corporation Limited (BPC) were advised to frame their own detailed guidelines on the basis of the broad guidelines issued by the Ministry.

As per the aforesaid guidelines, there is no restriction of time period for reconstitution of dealership within the family as well as outside family in case of (i) death of sole proprietor/partner in favour of legal heirs, (ii) in case of incapacitation due to serious illness/accident of dealers/distributors/partner, and (iii) in case where age of the dealer/distributor/partner is more than 60 years of age.

However, in case of reconstitution outside family for induction of financial partner in respect of dealerships/distributorships where selections were done as per earlier guidelines which prescribed a ceiling limit of income, there is restriction of time to complete such reconstitution. In this regard, OMCs had prescribed a time limit of up to December 2007, which has been subsequently extended up to 31.12.2010 by them.

Under-Recovery of Oil Marketing Companies

4259. SHRI C. RAMACHANDRAIAH: Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

- (a) whether there has been under-recovery for the current fiscal on the sale of petroleum products-petrol, diesel, LPG and kerosene to the tune of Rs. 1,30,000 crore by the public sector oil marketing companies in the country;
- (b) if so, whether any steps are being taken to check the losses incurring to the PSUs;
- (c) if so, the details thereof and their possible impact in containing the rising losses;
- (d) the details regarding the net impact after issuing the oil bonds; and
- (e) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI DINSHA J. PATEL): (a) to (e) The gross under-recoveries of the Public Sector Oil Marketing Companies (OMCs) on the sale of sensitive petroleum products i.e. Petrol, Diesel, PDS Kerosene and Domestic LPG for the year 2007-08 are estimated to be approximately Rs. 77,303 crore.

The Government has a multi-pronged strategy to contain the adverse impact of the high international oil prices on the economy and on consumers which includes rationalization of duties and taxes on petroleum products, besides streamlining the delivery system of PDS Kerosene for better targeting of the subsidy and to plug leakages, encouraging the use of Bio-fuels, etc.